The purpose of this study is to present suggestion for the traditional market board by determining the customer perception and expectation of six retail mix and 17 variables. A questionnaire was developed and distributed by a convenience sample to customers in Pasar Kapas Krampung Surabaya, as a representative of traditional market in Surabaya that is controlled by PD. Pasar Surya. By the descriptive analysis, expectation analysis, perception analysis, gap analysis, and quadrant analysis, the study found that the majority of the problem is facilities, so the retail strategy must be focused on some renovation and maintenance of the facilities, layout and disposal management. Traditional market vendors in conjunction with government need to enhance retail standards for traditional markets in Surabaya. The purpose is to support the traditional market to compete with modern retail. This study adds to a small but growing research stream examining retail strategy for traditional market in Surabaya.

Keywords: traditional market, services quality, retail strategy

1. Research Background

Nowadays traditional market was left by its customer because they cannot endure the competition. The position was seized by modern retail that offers more convenience place; even though it is costly. Customers require a better place to shop, and they want the vendor understands about what the essential things in shopping is. All the requirements were answered by numerous modern retail formats. Based on AC Nielsen Survey in 2004, the increasing percentage of modern retail was high, about 31.4%, while traditional market had a reduction about 8.1%. The explanation could be from the bad visualization like wet condition and dirty, lowest conveniences like parking area and toilet, no disposal management, the physical structure is less to maintain, and the lack of management to settle in changing of the customers and the competitors.

Surabaya government has tried to renew several traditional markets in Surabaya. One of them is Pasar Krampung Surabaya, which is located in East Surabaya, and consists of two levels. It used to be Pasar Tambah Rejo, while there was a fire that made this traditional market did revitalization. PD. Pasar Surya had cooperation with PT. Gitanusa Sarana Niaga and built the market in a modern building. There are six levels, the first two levels are for the traditional market, and the rest is for mall, trade center and parking area. They also changed its name to become Kapas Krampung Trade Center. There are 1,700 stalls in traditional market, 2,500 stalls in mall and 1,700 stalls in the trade center. They also completed it with toilets, lightning, water and fan of fish and meat stalls.

The preliminary survey asked the customers what was their opinion about facilities and services that were given by PD. Pasar Surya as the board, and the vendors. The vendors said that the market nearly unfilled because numerous vendors closed their stalls and moved to a different traditional market. This condition gave impact to the customer traffic, there were only a small number of customers visit the market. It was shown that the revitalization has not given the good consequences, and it needs further study to recognize what factors that must be improved.